

Message Text

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ACTION OPIC-06

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 2870

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A

TAGS: EINV, CS

SUBJECT: CENTRAL AMERICAN INVESTMENT INSURANCE PROGRAM

GUATEMALA ALSO FOR ROCAP

REF: STATE 18131, GUATEMALA 530

1. EMBASSY FINDS IT DIFFICULT TO EVALUATE THE PROPOSAL FOR A CENTRAL AMERICAN INVESTMENT INSURANCE PROGRAM WITHOUT FURTHER INFORMATION ABOUT HOW IT WOULD WORK, BUT THIS MESSAGE CONTAINS OUR PRELIMINARY THOUGHTS.

2. IT WOULD BE HIGHLY DESIRABLE FOR INVESTMENT INSURANCE TO BE PROVIDED IN ALL CASES BY THE COUNTRY THAT IS THE RECIPIENT OF THE INVESTMENT RATHER THAN BY THE COUNTRY THAT IS THE EXPORTER OF THE CAPITAL. THUS, WE WOULD BE VERY MUCH IN FAVOR OF A CENTRAL AMERICAN INVESTMENT INSURANCE PROGRAM UNDER WHICH THE CENTRAL AMERICAN COUNTRIES GUARANTEED FOREIGN INVESTMENT AGAINST POLITICAL RISKS AND ESTABLISHED RESERVE FUNDS FOR PAYMENT OF CLAIMS.

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3. A PROGRAM THAT GUARANTEED ONLY THE INVESTMENTS OF ONE CENTRAL AMERICAN STATE WOULD BE OF MUCH LESS INTEREST. CENTRAL AMERICA DOES NEED TO ATTRACT CAPITAL FROM OUTSIDE THE REGION, BUT WE DO NOT SEE THAT ANY IMPORTANT PURPOSE WOULD BE SERVED BY MAKING CAPITAL MORE MOBILE WITHIN THE REGION. IN FACT, SUCH A PROPOSAL PROBABLY WOULD TEND TO INCREASE DISPARITIES IN INCOME, AND IN BENEFITS FROM THE CACM WITHIN THE REGION, BY ENCOURAGING FLOWS OF CAPITAL FROM THE MORE BACKWARD TO THE MORE ADVANCED COUNTRIES. EVEN IF ONE THOUGHT IT DESIRABLE TO ENCOURAGE FREER MOVEMENT OF CAPITAL WITHIN THE CACM, THERE WOULD BE A QUESTION AS TO WHETHER FEAR OF EXPROPRIATION OR INCONVERTIBILITY IS NOW AN IMPORTANT BARRIER TO SUCH MOVEMENT.

4. ANOTHER IMPORTANT CONSIDERATION IS THAT OF INITIATIVE. IF THE CACM MEMBER COUNTRIES WERE INTERESTED IN AN INVESTMENT INSURANCE PROGRAM, WE BELIEVE THAT OPIC COULD PROVIDE USEFUL ASSISTANCE IN DEVELOPING ONE, BUT WE BELIEVE THAT THE INITIATIVE SHOULD COME FROM THE CACM MEMBERS RATHER THAN FROM THE USG, UNLESS WE CAN IDENTIFY SOME IMPORTANT U.S. INTEREST THAT WOULD BE SERVED BY SUCH A PROGRAM.

5. SUCH A PROGRAM MIGHT HAVE SOME VALUE TO THE U.S. IN THE CASE OF AN INVESTMENT INVOLVING LOCAL, CENTRAL AMERICAN AND U.S. CAPITAL. IF INSURANCE WERE AVAILABLE FOR THE CENTRAL AMERICAN PORTION OF THE INVESTMENT FROM THE LOCAL GOVERNMENT AND IF THE VALUE OF THE INSURANCE WERE APPROVED BY THE LOCAL GOVERNMENT, IT WOULD TEND TO ESTABLISH A BASIS FOR THE VALUE OF THE ENTIRE INVESTMENT, WHICH THE LOCAL GOVERNMENT WOULD FIND IT DIFFICULT TO IGNORE IN CASE IT WISHED SUBSEQUENTLY TO EXPROPRIATE THE ENTERPRISE. THE INSURANCE, THEREFORE, MIGHT HELP IN OVERCOMING ONE OF THE DIFFICULT PROBLEMS IN EXPROPRIATION ISSUES, WHICH IS TO DETERMINE WHAT CONSTITUTES "FAIR COMPENSATION".

6. THIS MESSAGE IS BEING TELEGRAPHED TO GUATEMALA, DESPITE LIMITEL, TO MEET DEADLINE IN ROCAP REFTEL FROM GUATEMALA. TODMAN

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